

Message Text

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FOL RPT BRUSSELS 07207 SENT ACTION SECSTATE DTD 13 APR 78

QUOTE: C O N F I D E N T I A L BRUSSELS
07207

USEEC

PASS TREASURY FOR SECRETARY BLUMENTHAL

E.O. 11652: GDS
TAGS: OVIP, EEC, EFIN
SUBJECT: SECRETARY BLUMENTHAL'S SPEECH IN BRUSSELS

1. AS YOU AND YOUR STAFF PREPARE THE SPEECH WHICH YOU
HAVE AGREED TO GIVE BEFORE THE BELGO-AMERICAN ASSOCIATION
APRIL 26, I RECOMMEND YOU FIND APPROPRIATE OPPORTUNITY TO
ADDRESS FOLLOWING ISSUES.

2. THE COPENHAGEN MEETING OF THE EUROPEAN COUNCIL AGREED
THAT EC SHOULD WORK INTENSIVELY OVER NEXT FEW MONTHS ON
NEW ARRANGEMENTS TO STRENGTHEN EUROPEAN MONETARY COOPERA-
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TION. IT IS STILL UNCLEAR EXACTLY WHAT SPECIFIC CON-
CLUSIONS EUROPEAN LEADERS REACHED OR WHAT DIRECTIVES THEY
HAVE PASSED ON TO EC INSTITUTIONS FOR FURTHER WORK. HOW-
EVER, FROM FRAGMENTARY INFORMATION WE HAVE NOW, IT APPEARS
TO INVOLVE NEW ARRANGEMENTS TO TIGHTEN RELATIONSHIPS
BETWEEN SNAKE AND NON-SNAKE CURRENCIES, NEW "DIMENSION"
FOR USE OF EUROPEAN UNIT OF ACCOUNT IN INTRA-EUROPEAN

TRANSACTIONS AND SETTLEMENTS, AND EXPANSION OF RESOURCES
AND ROLE OF EUROPEAN MONETARY COOPERATION FUND.

3. PRESS, WRONGLY IN MY VIEW AND THAT OF VIRTUALLY ALL
EUROPEANS WITH WHOM WE HAVE DISCUSSED IT SO FAR, HAS
TENDED TO PLAY RESULTS OF COPENHAGEN, BOTH ON MONETARY
FRONT AND AS REGARDS DECISION TO WORK TOWARD CONCERTED
GROWTH STRATEGY, AS EUROPEAN DECISIONS TO "GO IT ALONE"
AND AS BEING ANTI-AMERICAN IN CONCEPTION. THERE ARE SOME
ACTIONS THEY COULD TAKE THAT MIGHT BE, BUT I HAVE SEEN
NO EVIDENCE THAT WHAT HAS BEEN CONSIDERED UP TO NOW (E.G.,
IN JENKINS' PROPOSALS), OR FROM BRIEFINGS WE HAVE GOTTEN
FROM SUMMIT PARTICIPANTS, ARE EITHER AIMED IN THAT DIRECTION
OR DESIGNED TO UNDERMINE INTERNATIONAL POSITION OF THE US.
ON THE CONTRARY, IT STRIKES US THAT MORE RATE STABILITY IN
EUROPE AND INCREASED OVERALL EUROPEAN RESPONSIBILITY, IN-
CLUDING COMMUNITY-WIDE REFLATION, FOR WORLD ECONOMIC HEALTH
ARE IN OUR INTEREST.

4. THAT SAID, I BELIEVE IT IS VIRTUALLY INEVITABLE THAT
BRUSSELS PRESS CORPS WILL QUESTION YOU IN APRIL 26 PRESS
CONFERENCE IN HOPE OF ELICITING FROM YOU A NEGATIVE RE-
SPONSE TO EUROPEAN INITIATIVE. CONSEQUENTLY, I BELIEVE IT
IMPORTANT FOR YOU TO ADDRESS THIS QUESTION IN YOUR SPEECH
AND STAND ON THOSE REMARKS. I RECOMMEND A STATEMENT TO THE
EFFECT THAT THE US IS MUCH INTERESTED IN THE PROPOSALS
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COMING OUT OF COPENHAGEN FOR CLOSER MONETARY COOPERATION IN
EUROPE, THAT WE HAVE LONG SUPPORTED EFFORTS BY EUROPEANS
TOWARD MORE EFFECTIVE INTEGRATION, THAT WE LOOK FORWARD TO
DISCUSSION OF EUROPEAN IDEAS ABOUT HOW TO STRENGTHEN
INTERNATIONAL MONETARY STABILITY, BOTH AT IMF MEETINGS IN
MEXICO AND AT BONN SUMMIT NEXT JULY, AND THAT WE ARE CON-
FIDENT THERE IS NO INHERENT CONFLICT BETWEEN THE CONCEPT
OF CLOSER EUROPEAN UNITY IN MONETARY AREA AND OUR SHARED
GOAL OF A STRONG, STABLE, INTERNATIONAL MONETARY SYSTEM.
YOU MIGHT ALSO ADD THAT WE WELCOME COPENHAGEN AGREEMENT TO
TAKE CONCERTED ACTION TO LIFT THE RATE OF EUROPEAN GROWTH,
A DECISION FULLY IN LINE WITH THE AGREED OECD STRATEGY.

5. SECOND POINT WHICH I BELIEVE YOU SHOULD ADDRESS IN YOUR
SPEECH IS TO LAY TO REST THE CANARD THAT US SEEKS AN UNFAIR
ADVANTAGE FOR OUR EXPORTS FROM AN UNDERVALUED DOLLAR. A
STRONG REAFFIRMATION OF THE ADMINISTRATION'S INTENT TO
CONTROL INFLATION IN US AND RECOGNITION THAT UNDERVALUED
DOLLAR CONTRIBUTES TO DOMESTIC US INFLATION WOULD CERTAINLY
BE IN ORDER AND VERY USEFUL TO US IN COUNTERING THESE FEARS.

6. IN ADDITION TO INCLUSION THESE THEMES IN YOUR SPEECH,
I WOULD ALSO URGE YOU TO BRING THEM UP IN YOUR PRIVATE

CONVERSATIONS WITH JENKINS AND ORTOLI WHILE YOU ARE HERE.
HINTON UNQUOTE CHRISTOPHER

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